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SENT VIA E-MAIL

New York Metro Response 5/8/98

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SUBJECT: **Marking of Bought-Down Product**

As all of you are now aware, with the implementation of our 2nd Half Partners' Resource Plan, the potential exists for us to increase our discounting programs through the use of buy-downs. With this increased level of buy-downs, we certainly will increase our exposure to possible abuse of these programs at retail. For this reason we are asking for your input on ways we can protect ourselves.

One of the most successful controls we have used in the past has been the physical marking of product that has been bought-down. While this method can be labor intensive, it is very easy to identify product that has already been discounted, greatly reducing the chance it will be bought-down more than once.

What we would like is some idea how much marking of product you are currently doing and how much you envision doing in the future. To help us get a handle on this, we would appreciate your responses to the below listed questions:

1. Are you currently marking any bought-down product within the Region? ***Yes***
2. If so, where and why? ***1. at direct accounts for obvious integrity reasons 2. Very minimal quantities handled by Retail Reps in retail stores.***
3. What method(s) are you using to mark the product? ***Black line and Sticker***
4. If the resources needed (i.e., manpower, direct account payments, etc.) were available to you, would you be marking product in more places? ***Already do it everywhere.***
5. If so, where and why (particular classes of trade)? ***NA***
6. Provide any ideas/thoughts of other methods that could be utilized to minimize the possibility of us buying product down multiple times. ***We are considering buy downs in selected retail stores in each assignment. We would sell specific quantities to be bought down, provided adequate jobber invoices were available. One problem with integrity and we will go back to Black line and Stickering with a reduced quantity of cartons available. We will expand the program depending on our success with a limited number of stores.***

Our objective here is to minimize our exposure to abuse by only doing what we believe is required to protect ourselves. We would appreciate your response on or before 5/8/98.

Call if you have any questions.

Don

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